### CFD RRG - Global New Client/Project Approval Form

Name of proposer:	Bill McGahan	Date of SRG meeting:		25-	25-Dec-01	
LIENT INFORMATION			<del></del>			
Client group/parent co.	First Cambridge HCI Acquisitions, LI	L Parent country:	forent country: U		red States	
Market cap (if applicable):	Private	Parent industry sector:		He	riedincare	
Client name (if different):		Client priority:		Co	Core	
Relationship director:	Bill McGahan	Recent UBSW Fees from the Client				
PROJECT INFORMATION						
Project codename:		Project country:		:United States		
Project director:	Bill McGahon	Project industry sector:		He	Healmoare	
Project team:	BZ McGohon, Mike Leaer, Rod O'Neil, Phil Puccionelli, Scott Wollard, Krisin Kusmerz	Transaction type:		:Pri	Primary Dept	
		Other companies involved:		HE	HEALTHSOUTH	
Project MIS number:	TBD	MIS time cost currency:		US	D U.S. Dollar	
Deal timing (mth/yr):	Dec-01		<u>Man Wee</u>	ks	MIS Time Cost - USD	
Deal size:	\$82.2 million sr. secured term loan	MD		5.5	25.000	
Price sensitive:	No	ED				
	1	D		1.0	21,500	
ls pitch competitive?	No	AD		2.0	27,500	
Date outcome known (est)	1-Dec-01	E		2.0	20 000	
	·			5.5	₹3 000 	
REVENUE FORECAST (to c	agree with MIS input)					
Billing currency:	USD U.S. Dollar	Deal likelihood :		_	100	
Currency Unit:	Million	UBSW chance :			10	
Monthly fee (USD Mn):		Combined probability:		<del>.</del>	900,000.0	
Offsenable?	No	Weighted forecast (USD Mn):				
Success fee (USD Mn):	900,000.00	Month/Year			Monthly Revenue Amou	
Abort fee (USD Mn):				··:	·—, - · · · · · · · · · · · · · · · · ·	
Total (ee (USD Mn):	900,000.00					
Forecast input into MIS:	Yes At Closing, the Borrower will ca			. !		

The Borrower will also pay an annual Agency Fee of \$75,000 to UBS, as Administrative Agent, at

closing (loan duration is 12 month)

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(Brief description)

in addition to the description, this	section should seek to a	dress all issues relevant to the decision	being saught, including eq		
reputational issues, potential con	flicts, prospects for future	husiness, deal structure, at- riage HCI Acquisitions, LLC, a SPE cons.			
properties	Cased loan to his Camp	hoge Her Acquisitions, CED, a SPE cons.	isting sciety of 14 maALTHSQUTH		
- The loan is priced at LIBOR + 1	75bps resulting in a \$1.00	30 million make whole			
The loan is 100% guaranteed b					
Proceeds from the loan will be u					
- Based on annualized 9/30/01 ni	umbers, the properties ge	nerate \$120.0 million in revenues and \$4	2.7 militan in ESITD4		
- First Cambridge has set the cap	rate at 10.5% yielding 30	3.4 million in rents resulting in ESITDA re- pe conducted within the first 6-9 months of	nt coverage of 5 1x		
identified as the sole bookrunning		se conducted within the first 6-9 Month's C	s 2000. Opp Warpurg has been		
		Hiregarding the refinancing of HRC's St. 3	TS pillion Senior Oreal Facility to be		
		roject (eg. Cross selling of financing prod	<del></del>		
internal discussion which have ta		roject (eg. Gress semily of marienty prod	deta. 1 N. Nedador Eredacia, detaila		
			<del></del>		
OTHER INFORMATION	-				
Conflict dearance note	15.1	Covered by UBSW Equity			
sent(1)(2)(3):	No	Research Analyst:	No		
Positive dearance received from			•		
Compliance?	No	Name and the death of the control of the			
,		Have you notified/cleared the	rensacion with:		
If No, why was Compliance not	!	ECMG	No		
notified?:	į				
Cleared with industry sector					
heod? (3):	Yes	Please state contact name/s	Please state contact name/s		
		<del></del>			
Please state contact name/s	Benjamin Lorello	DCMG (4)	Yes		
	·				
Cleared with country team? (3):	Yes	Equity Research (4)	No		
	:	1			
If No, why was not cleared with	E	Treasury Products (4)	No		
a Country Team?: If it is a European transaction, is the	!				
tronsaction within quidelines (5) or					
staffed by the Mid Market Group or	) !	Credit Risk informed?	· Yes		
CFD Switzerland?:	1				
If No, which member(s) of the M&A					
Steering Group approved the					
transaction? #N/A		Have you complied with all relev	cat		
#IN/ A		white book procedures? Yes			
			-		
Einandal Sanar					
Financial Sponsor group consulted?	Not Applicable	Type of BRG meeting:	Weekly		

the Chinese Wall before providing actual client and project details. The non-CFD person should note their compliance status dutide the Chinese Wall

Europe (ex. Switzerland): Leslie Grant and Hai Xin (permanently inside the CFD Chinese Wall) / Mile Sumerland

Switzerland: Martin Wiedman Americas, Ellen Schubert

<u>Asia Pacifis</u>, Sem Cohen

CREDIT RISK - Ion Grew

David Bawden - Japan

(1) See C3 of the White Book (2) Should virtually always be 'yes' (3) Managrapy to explain why dino (4) Superct to Chinese Walls (see nates above) (5.) Above ±500ml or ±700ml for KCT claims.

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# Addendum, First Cambridge HCI Acquisitions, LLC

#### **EXECUTIVE SUMMARY**

UBS Warburg will act as Lead Arranger on a 12-month, \$82.2 million senior secured term loan to First Cambridge HCI Acquisition, LLC (HCI) a special purpose entity (the "SPE" or "Borrower"). The SPE is a stand-alone entity with its own corporate governance run by Bill Harlan, President, and 100% owned by Jean-Claude Saada. The SPE has is currently negotiating the purchase of 14 HEALTHSOUTH ("HRC") properties (a diversified mix of properties that collectively produce, for the 9-months ended 9/30/01 annualized, \$120.0 million in revenues and \$42.7 million in EBITDA). HCI intends to enter into a sale-leaseback transaction with HRC for the properties for an estimated purchase price of \$80.0 million. This credit facility will be secured by the lease stream payments owed to the Borrower by HEALTHSOUTH Corporation and 100% guaranteed by HEALTHSOUTH. The properties will be triplenet leased, under one master lease agreement, for fifteen years with the option to extend the lease agreement in annual increments after the initial expiration of the master lease. HRC will also maintain the option to buy back these facilities upon expiration of the initial master lease. The cap rate has been established at 10.5% yielding approximately \$8.4 million in rental income for HCI. UBS will in effect be exposed to HRC credit risk, as HRC will be the tenant of all 14 properties, and HRC is bound by a duly executed Keepwell Agreement. HCI will establish the SPE, consisting of HRC properties, as the platform for its proposed REIT and intends to close additional acquisitions of selected healthcare properties within the first 3-6 months of 2002. HCI intends to establish a total portfolio of approximately 25-30 properties (that produce in excess of \$200 million in revenues and \$60-70 million in EBITDA) within the first 3-6 months of 2002 and simultaneously conduct an Initial Public Offering ("IPO") (for the newly formed REIT) for which UBS Warburg has been identified as the Sole Bookrunning Manager.

The SPE is formed to hold the 14 HRC properties. HCI will acquire additional properties to build upon the 14 properties that will function as anchor properties for the REIT. HCI will acquire an additional 10-15 properties before going public as a REIT in early 2002. The proceeds from the IPO will be used to pay-off the \$82.2 million loan.

#### **HEALTHSOUTH RATIONALE**

- HEALTHSOUTH has a vested interest in developing a relationship with HCI in order to secure a
  flexible and expedient "financing" vehicle for future sale-leaseback transactions.
- In addition, HRC also stands to benefit from a long-term relationship with Cambridge, a leading developer of medical facilities.
- Finally, HEALTHSOUTH will use the proceeds from the property sale to pay down existing debt assisting in fulfilling its goal of continuous debt reduction.

#### **HEALTHSOUTH KEEPWELL AGREEMENT**

The HCI Credit Agreement for \$82.2 million will include a Feedwell Agreement in the form of a side letter agreement. HRC will be bound by the Keepwell Agreement in the event of a default and/or foreclosure on any of the 14 properties that are in one master lease. The Agreement will cover the entire loan amount.

**¾** UBS Warburg

## CAMBRIDGE HOLDINGS AND HCI

Cambridge Holdings, Inc., a Dallas-based real estate firm specializing in the development, acquisition, ownership, management and disposition of highly integrated, state-of-the-art, income-producing healthcare properties, was founded by Jean-Claude Saada in 1987. These properties include medical office buildings ("MOBs"), integrated medical facilities, ambulatory surgery centers, diagnostic clinics, physician clinics and specialty hospitals.

Members of the Cambridge team have successfully acquired, developed, re-developed, re-positioned and managed \$1.2 billion in healthcare real estate. Cambridge specializes in the development and operation of all types of highly integrated, state-of-the-art healthcare facilities that serve the strategic goals of its partners while facilitating convenient delivery of healthcare services to patients. These projects are typically developed in off balance sheet arrangements that do not add assets and management burdens to the hospitals' holdings but still provide the advantage of new state-of-the-art facilities that attract physicians and their patient referrals into the hospitals. Cambridge's current strategy expands its reach beyond hospital campuses to include similar arrangements with non-hospital operators of ancillary, off-campuses facilities.

The Cambridge team has acquired and developed 160 healthcare facility properties totaling S million square feet.

Bill Harlan established HCI in February 1999 as a privately held real estate investment entity specializing in the acquisition of income-producing healthcare properties that are leased to healthcare operators. In July 2000, Mr. Harlan merged HCI into Cambridge Holdings, Inc. For the purpose of this transaction, HCI will form a special purpose entity, which will be a wholly owned subsidiary of HCI, and function exclusively as a REIT.

Bill Harlan's expertise in healthcare financing and his broad base of relationships gained during 25 years' experience in healthcare property acquisition is invaluable to Cambridge. Bill joined Cambridge when his firm, Healthcare Capital Investors (HCI), merged with a subsidiary of Cambridge. Prior to the formation of HCI, he was a founding member of executive management for Capstone Capital Corporation, formerly a Birmingham. Alabama-based publicly traded healthcare REIT. Bill served as Senior Vice President and head of Acquisitions and Development at Capstone. He was the primary officer responsible for Capstone's healthcare property acquisitions (including negotiating, underwriting and structuring) and portfolio growth. When Bill left Capstone in 1997. The company's portfolio stood at more than \$700 million in 120 diversified healthcare properties nationwide. Before his affiliation with Capstone, Bill spent nearly 20 years at Southtrust Bank where he founded the bank's healthcare division and managed it for 15 years. He developed project financing for more than 50 healthcare facilities and more than \$500 million in transactions. Bill holds a Bachelor's Degree in Finance from Auburn University.

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## RELATIONSHIP WITH HCI & HRC

Ben Lorello and Bill McGahan'S relationship with Bill Harlan, President of HCI, dates back to Capstone Capital Corporation, a publicly traded healthcare REIT, where Bill Harlan was a member of senior management and Tadd McVay served as CFO (currently treasurer of HEALTHSOUTH)

Ben Lorello and Bill McGahan have maintained a strong and long-standing relationship with HRC for over 15 years. In that time they have completed 33 transactions in a lead role, totaling \$11.6 billion. In the past 12 months alone, UBSW has served as Sole Bookrunning and Lead Manager on three HRC debt offerings totaling approximately \$1.3 billion:

- \$600 million Senior Notes Offering on September 24, 2001
- \$375 million Senior Notes Offering on January 25, 2001
- \$350 million Senior Subordinated Notes on September 20, 2000

*Upcoming Transaction:* HRC will be refinancing its existing \$1.75 billion Credit Facility in the first three months of 2002 which will be coupled with a corporate finance transaction. UBSW expects a very senior role in both transactions.

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